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"Examining How Covered Entities Utilize the 340B Drug Pricing Program"

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Chairman Murphy, Ranking Member DeGette and Members of the Subcommittee, my name is Charlie Reuland and I am the executive vice president and chief operating officer of The Johns Hopkins Hospital (JHH). I began my career at Johns Hopkins in 1990 and have served in a variety of roles over the past three decades. I have the privilege to be the hospital's representative on the panel here today to share with you JHH's proud legacy of care and service to vulnerable individuals and families made possible, in part, by its participation in the 340B Drug Pricing Program.

JHH is the principal teaching hospital for the Johns Hopkins University School of Medicine and has been a 340B-eligible covered entity since 2002. Its mission is "to improve the health of our community and the world by setting the standard of excellence in patient care."

I. The Johns Hopkins Hospital in Baltimore City, History and Demographics

The bequest left by the philanthropist Johns Hopkins, whose gifts established both the university and hospital, stipulated that both entities be rooted in Baltimore and serve the poor. Located in the heart of East Baltimore for more than 125 years, JHH's mission and commitment extend beyond the walls of the hospital. This dual focus on the city and its residents is as important today as it was in 1889.

Baltimore City, once a blue-collar manufacturing town, is in the midst of an impressive rebirth, but this transition has been slower in certain parts of the city. Currently, nearly one in four Baltimore City residents lives at or below the poverty level,[1] and the unemployment rate is above the national rate.[2] Jobs that pay a family-sustaining wage are scarce and one in four residents of Baltimore City lives in a "food desert,"[3] where they must rely on convenience stores that offer few, if any, healthy food choices. JHH tailors the use of its 340B savings with these grim realities in mind.

II. The Johns Hopkins Hospital and the 340B Program

JHH takes seriously its responsibilities as a covered entity and is committed to being a good steward of the 340B program by fulfilling both the spirit and intent of the law. One of the strengths of the 340B program is the discretion it affords eligible hospitals in tailoring the use of program savings to address the unique needs of their communities. We are cognizant that our efforts take on even greater urgency in uncertain financial times, during public health crises and when rising premiums make health insurance unaffordable for many families.[4] JHH serves a medically complex patient population with extensive social and clinical needs, including patients who are unable to get necessary care elsewhere.

As a safety net hospital, JHH uses its 340B savings to respond to emerging crises and to continue its work on the front lines of serving the most vulnerable patients in Baltimore. Since 2009, JHH has offered a charity program designed to improve access to effective, compassionate, evidence-based primary and specialty care to uninsured and underinsured patients from the neighborhoods immediately surrounding the hospital. The Access Partnership (TAP), as it is called, has provided medical services to more than 6,000 patients since the inception of the program.[5] In the midst of the opioid crisis, JHH's

[1] U.S. Census Bureau, American Community Survey (2015)
[2] U.S. Bureau of Labor Statistics, Baltimore Area Economic Summary, August 30, 2017
[3] Amanda Behrens Buczynski, Holly Freishtat & Sara Buzogany, *Mapping Baltimore City's Food Environment*, 2015 Johns Hopkins Center for a Livable Future, *available at* https://www.jhsph.edu/research/centers-and-institutes/johns-hopkins-center-for-a-livable-future/_pdf/research/clf_reports/Baltimore-Food-Environment-Report-2015-1.pdf
[4] Meredith Cohn, *Obamacare Premium Costs in Maryland Set to Jump as State Approves Rates*, Balt. Sun, Aug. 29, 2017 (Business), *available at* http://www.baltimoresun.com/business/bs-hs-obamacare-rates-20170829-story.html
[5] Johns Hopkins Medicine, *The Access Partnership Medical Director Report* (2017).

investment in transitional housing and substance use treatment is increasingly important for saving lives. In FY2016, over 250 people struggling with drug addiction found stable living conditions and comprehensive recovery services at JHH's Broadway Center for Addiction, a substance use treatment program serving East Baltimore residents regardless of their ability to pay.

JHH provides low-income patients with free and discounted outpatient drugs, but for JHH's most vulnerable patients, affordability is only one in a series of hurdles to experiencing the full health benefit of a prescribed medication. For that reason, JHH uses 340B program savings to fund wrap-around services, including telephone consultations, home visits and transportation as needed for insured and uninsured patients alike. For example, JHH dispatches pharmacists to patient's homes through its *Home-Based Medication Management* project. These specially trained pharmacists work with patients to dispose of expired or discontinued medication, color-code pill containers when labels are too small to read and review medication administration instructions. Importantly, they also ensure that the patient's medication regimen is not only the right choice therapeutically, but also affordable for the patient in the long term. In this program, which began in 2012, JHH has demonstrated a significant reduction (from 17 percent to 8 percent) in readmissions among patients who receive a pharmacist home visit.[6] JHH also offers a free bedside delivery service to eliminate barriers that could prevent patients from taking medically necessary prescriptions as instructed after a hospital admission, which is vital for good health outcomes and avoiding hospital readmission. More than 9,000 patients benefitted from this service in 2016.

As a not-for-profit hospital, JHH conducts a community health needs assessment (CHNA)[7] every three years that helps us understand the gaps in care and health status of our closest neighbors. From this work, JHH reinvests 340B savings into evidence-based,

[6] Pherson, *Development and implementation of a post discharge home-based medication management service*, 71 Am J Health Syst Pharm. 1576-83 (2014).
[7] Additional Requirements for Charitable Hospitals; Community Health Needs Assessments for Charitable Hospitals; Requirement of a Section 4959 Excise Tax Return and Time for Filing the Return, 79 Fed. Reg. 78,953 (Dec. 29, 2014) (codified at 26 C.F.R. pt. 1, 53, and 602).

community-strengthening programs that have had a proven impact on health. These interventions span the life cycle from early maternal and child health to end-of-life care. For instance, JHH is a proud sponsor of Health Leads, a program that enables providers to "prescribe" basic resources such as food and heat just as they do medication. Health Leads advocates work side by side with patients to connect them with community resources such as local food pantries and utilities assistance programs. More than 1,100 patients were served in FY2016. [8]

As an anchor institution and the largest private employer in Maryland, JHH leverages its 340B savings to support employment and investment activities that create a safer, healthier and more vibrant community. Studies show that incomes and employment have a profound impact on health outcomes.[9] To help narrow the wealth disparities in our community, in 2015 The Johns Hopkins University and The Johns Hopkins Health System Corporation launched *HopkinsLocal*, a comprehensive strategy to promote greater economic growth and employment opportunities by increasing Johns Hopkins design and construction contracts with local minority- and women-owned businesses and expanding the number of new jobs for city residents. In year one, the program resulted in approximately $5 million more spending with local businesses and 300 new hires from the community.[10]

The 340B program gives JHH the flexibility to tackle the *causes* of disease and disability in our community. In addition to providing health care to one patient at a time, JHH uses its 340B savings to help *prevent* disease and injury in the neighborhoods surrounding the hospital. For instance, beyond treating a premature and low birth weight baby in the neonatal intensive care unit, with 340B savings, JHH develops programs for expectant mothers in the surrounding community to increase the likelihood of healthy, on-time deliveries. In addition to prescribing medication to manage a patient's asthma,

[8] The Johns Hopkins Hospital, Johns Hopkins Community Benefits Report Narrative (Fiscal Year 2016).
[9] Robert Wood Johnson Foundation, Achieving Equity in Health. Racial and ethnic minorities face worse health and health care disparities – but some interventions have made a difference. Health Affairs (October 6, 2011), *available at* http://healthaffairs.org/healthpolicybriefs/brief_pdfs/healthpolicybrief_53.pdf
[10] Ronald J. Daniels & Ronald R. Peterson, *Year One Progress Report HopkinsLocal*, Johns Hopkins University & Health System (2017), *available at* http://hopkinslocal.jhu.edu/content/uploads/2017/03/HopkinsLocal-Progress-Single-Pages.pdf

diabetes or heart disease, with 340B savings, JHH sponsors health promotion activities with local churches and community leaders. The Emergency Department can treat a patient with a gunshot wound, but with 340B savings, JHH can help modify the patient's home to promote independence after injury and support neighborhood violence prevention programs. These activities are not reimbursed under the traditional hospital payment structure, yet they are inherent to our mission, and are all made possible with the savings from the 340B program.

III. Pharmaceutical Market Trends

Nationally, prescription drug spending growth in 2015 (9 percent) outpaced the overall rate of health care spending growth (5.8 percent) and the rate of spending growth on hospital care (5.6 percent) as compared to 2014.[11] New medicines introduced in the past three years are a major driver of JHH and national spending growth as clusters of innovative treatments for cancer, autoimmune disease, HIV and diabetes come into the market.

In the generic market, as well, hospitals nationwide struggle to manage unexpected, sustained and irregular price increases. Often these drugs are essential and lifesaving, and in many cases no lower cost alternative exists. For example, at JHH from FY2014 to FY2017, the drug spend for just seven long-standing generic drugs used to treat severe allergic reactions, urgent blood pressure control and cardiac arrhythmias increased by 315 percent, despite purchase volumes at JHH for those same drugs increasing by only 12 percent. Such spikes are not limited to a single drug manufacturer but are instead the result of loss of competition and monopolistic business practices that have been the subject of congressional inquiry in recent years.[12]

[11] U.S. Dept. of Health and Human Services, Centers for Medicare and Medicaid Services, *National Health Expenditure Fact Sheet.* Baltimore, MD, 2015.
[12] Susan Collins and Claire McCaskill, Special Senate Committee on Aging, *Sudden Price Spikes in Off-Patent Prescription Drugs: The Monopoly Business Model that Harms Patients, Taxpayers, and the U.S. Health Care System*, December 21, 2016.

IV. Conclusion

At no cost to taxpayers, except for modest appropriations to administer the program, the 340B program has been a success for our community, allowing JHH to operate a variety of programs and provide services for vulnerable patients that improve their health and well-being that otherwise would not be possible. Importantly, the savings afforded by the 340B drug discount program allow covered entities to focus on preventive medicine, population health and care throughout the lifespan. These efforts help avoid other, more expensive medical interventions, the cost of which would be borne in large part by federal and state government funds if it were not for the 340B program.

Now is the time for the federal government to recommit to the 340B program. The program is as relevant and vital today as it was when first enacted. Congress, in its wisdom, required pharmaceutical manufacturers to discount the cost of covered outpatient drugs for certain hospitals that serve a disproportionate share of low-income patients to allow those covered entities the flexibility to use those savings to respond to the needs of their communities. The legacy of the 340B program is that today, JHH, along with the national network of other disproportionate share hospital 340B covered entities, are the bedrock of the national safety net dedicated to saving lives and improving the health of our most vulnerable neighbors.

Thank you for the opportunity to provide these comments and I look forward to your questions.